

## Message Text

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P R 162053Z DEC 76  
FM SECSTATE WASHDC  
TO AMEMBASSY BERN PRIORITY  
INFO AMEMBASSY BONN  
AMCONSUL ZURICH

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E.O. 11652: N/A

TAGS: CFED, SZ

SUBJECT: JUSTICE/SEC CASE V. CAPPETRO, INC.

1. JUSTICE DEPT AND SEC ATTORNEYS MET DECEMBER 15 WITH  
DEPARTMENT (EUR/CE AND L/EUR) REPS AND PROVIDED FOLLOWING  
INFORMATION ON ABOVE CASE.

2. THE SEC HAS UNCOVERED OVER PAST TWO WEEKS A MASSIVE  
FRAUDULENT SCHEME OPERATING OUT OF DALLAS, TEXAS UNDER  
THE NAME OF CAPPETRO, INC. THE SCHEME WAS ORCHESTRATED  
BY HEINZ JUERGEN HESSE, A CITIZEN OF THE FEDERAL REPUBLIC  
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OF GERMANY AND INVOLVED THE SALE OF OVER \$27 MILLION OF  
SECURITIES IN THE FORM OF UNDIVIDED WORKING INTERESTS IN  
OIL AND GAS WELLS LOCATED IN TEXAS, WEST VIRGINIA, OHIO  
AND KENTUCKY TO 995 INVESTORS. MOST OF THESE INVESTORS ARE  
RESIDENTS OF SWITZERLAND. NATIONALITY OF INVESTORS IS NOT  
KNOWN BUT NAMES INDICATE MANY COULD BE SWISS CITIZENS.

3. THE SALES TO THESE INDIVIDUALS EMANATED FROM AN OFFICE MAINTAINED BY CAPPETRO AND HESSE IN ZURICH. THE OFFICE ADDRESS IN ZURICH IS H-8037 ZURICH, NORDSTRASSE 116. TELEPHONE 1/26 7740. HESSE EMPLOYED 8-10 SALESMEN IN THE ZURICH OFFICE TO MAKE THE SALES TO SWISS RESIDENTS. CAPPETRO AND HESSE ARE BELIEVED TO MAINTAIN ACCOUNTS IN

SEVERAL SWISS BANKS. SEC STATES IT DOES NOT KNOW NAMES OF BANKS.

4. SWISS RESIDENTS PURCHASED INTERESTS IN UNITED STATES OIL AND GAS WELLS IN AMOUNTS RANGING FROM \$5,000 TO \$500,000. IT WAS REPRESENTED TO THE SWISS RESIDENTS THAT BY INVESTING IN CAPPETRO OIL AND GAS WELLS THEY WOULD RECEIVE A GUARANTEED RETURN OF THEIR INVESTMENT WITHIN A SHORT PERIOD OF TIME. THE SEC INVESTIGATION HAS DISCLOSED THAT IN FACT NUMEROUS OF THE OIL AND GAS WELLS WERE NOT DRILLED AND THE INVESTORS' MONEY WAS DIVERTED TO THE PERSONAL USE OF HESSE AND OTHERS AND USED TO MAKE PURPORTED OIL AND GAS PRODUCTION PAYMENTS TO PRIOR INVESTORS IN THE SCHEME.

5. ON DECEMBER 15, 1976 FEDERAL JUDGE ROBERT PORTER, IN THE NORTHERN DISTRICT OF TEXAS AT DALLAS APPOINTED A RECEIVER AT DALLAS, TEXAS TO TAKE CHARGE OF THE REMAINING MONIES AND ASSETS OF CAPPETRO IN AN EFFORT TO PROTECT THE SWISS INVESTORS' INTERESTS. THE COMPLAINT FILED BY THE SEC ON DECEMBER 15 IN THE NORTHERN DISTRICT AT DALLAS ALLEGED AFRAUDULENTSCHEME IN SALE OF SECURITIES BY LIMITED OFFICIAL USE

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CAPPETRO TO SWISS RESIDENTS AMONG OTHERS. IN ADDITION THE US ATTORNEY FILED A CRIMINAL INFORMATION ON HESSE CHARGING HIM WITH SECURITIES FRAUD. HESSE WAS ARRESTED ON DECEMBER 15 IN DALLAS WITH BOND SET AT \$200,000. HIS FRG PASSPORT IS BEING HELD BY THE MAGISTRATE.

6. THE DEPARTMENT OF JUSTICE AND THE SEC ARE CURRENTLY CONDUCTING A CRIMINAL INVESTIGATION OF THIS MATTER FOR POSSIBLE VIOLATIONS OF THE CRIMINAL FRAUD PROVISIONS OF THE FEDERAL SECURITIES LAWS, THE MAIL FRAUD AND WIRE FRAUD STATUTES.

7. THE EMBASSY IS INSTRUCTED TO INFORM THE GOS OF THE ABOVE FACTS ASAP. STORY IS EXPECTED TO HIT US PRESS SOON AND WILL NO DOUBT BE PICKED UP BY SWISS PRESS. DEPARTMENT FULLY BRIEFED SWISS EMBASSY LEGAL ADVISER DAYER ON DECEMBER 15. DAYER HAS POUCHED SEC BACKGROUND MEMORANDA ON CASE TO BERN. SAME DOCUMENTS POUCHED TO KEMPE.

8. EMBASSY SHOULD ASK GOS IF THERE IS A POSSIBILITY THAT SWISS LAW HAS ALSO BEEN VIOLATED AND IF THE GOS WOULD CONSIDER COOPERATION WITH THE US IN THIS CASE. IN AS MUCH AS THE FRAUD OCCURRED IN THE US AND THE VICTIMS OF THE FRAUD ARE LOCATED IN SWITZERLAND, JUSTICE AND SEC WILL WISH TO TRY TO WORK OUT SOME ARRANGEMENT WITH THE GOS FOR INTERVIEWING THE SWISS RESIDENTS WHO WERE VICTIMIZED BY THIS SCHEME.

9. EMBASSY SHOULD ALSO INFORM GOS THAT JUSTICE/SEC HAVE PROVIDED US WITH COMPLETE LIST OF NAMES AND ADDRESSES OF INVESTORS WHICH CAN BE PROVIDED GOS. LIST DOES NOT INDICATE NATIONALITY OF INDIVIDUALS, BUT NAMES (E.G. ATTENHOFER, BERNARD, BEINER-HUGLI, BRENNEISEN) INDICATE STRONG POSSIBILITY THAT MANY ARE SWISS CITIZENS.

10. PLEASE REPORT GOS REACTION.  
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11. FOR BONN: SEC/JUSTICE DISCUSSED CASE SEPARATELY WITH SCHMELING OF FRG EMBASSY, WHO IS INFORMING HIS GOVERNMENT.

12. AFTER THIS CABLE WAS TYPED SEC INFORMED US THAT CAPPETRO HAS ACCOUNT IN GEWERBEBACH BANK IN ZURICH. US DOLLAR ACCOUNT NO. 3105.2.  
ROBINSON

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